was commissioned as an aircraft navigator in 1960. He is a Master Navigator with over 6,400 flying hours including 100 combat missions during the Vietnam War. General McIntosh entered the New Jersey Air National Guard in 1978, commanded the 170th Air Refueling Group from 1989 to 1992, and has commanded the New Jersey Air National Guard since 1992.

As our Nation proceeds with its involvements around the globe, the National Guard will continue to be an integral part of the total military force structure. Highly qualified citizens participating in the National Guard are the backbone of our national strength. Leaders such as Major General McIntosh command and guide many through the necessary training efforts that sustain a world-class organization.

It has been my privilege to know Major General James McIntosh and witness his dedication to the National Guard. He is a true leader and asset to the armed forces. Major General McIntosh serves as a model upon which future leaders should be based.

INTRODUCTION OF REAL ESTATE INVESTMENT TRUST MODERNIZATION ACT OF 1999

HON. WILLIAM M. THOMAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 28, 1999

Mr. THOMAS of California. Mr. Speaker, today I am pleased to introduce on behalf of myself, Mr. CARDIN of Maryland, and other Representatives the ''Real Estate Investment Trust Modernization Act of 1999''. This legislation modernizes outdated real estate investment trust (REIT) rules that prevent REITs from offering the same types of services as their competitors. I am proud to note that there are more REITs based in California than any other State, and REITs have invested more than $24 billion in California communities.

In 1960, Congress created REITs to enable small investors to invest in real estate. Prior to the creation of REITs, real estate ownership was largely restricted to wealthy individuals who invested through partnerships and other means generally unavailable to the broader public.

Although a variety of factors limited the growth of REITs through the mid-1980's, they played a leading role in reviving weak real estate markets in the wake of the economic turmoil of the late 1980's and early 1990's because of their access to public capital markets and because REITs offer liquidity, security, and performance which alternative forms of real estate ownership often do not. Yet, in more recent years, REITs increasingly have been unable to compete with private held partnerships and other more exclusive forms of ownership. Antiquated REIT rules prevent REITs from offering the same types of customer services as their competitors, even though such services are becoming more central to marketing efforts.

Current law restrictions require REITs to adhere to unworkable distinctions that defy logic and impede competitiveness. Under current law, REITs only may provide ''customary services'' to their tenants, that is, services that are common in the industry and have been traditionally provided by real estate companies, such as furnishing water, heat, light and air conditioning.

The ''customary services'' standard ensures that REITs may provide services only after industry leaders have already done so, thus locking in a competitive disadvantage. In addition, the vagueness of the standard produces seemingly irrational distinctions. For example, REITs can have parking lots for shopping centers or offices they own, but cannot offer valet parking. REITs can own apartments, but cannot provide lifeguards or amenity services. REIT competitors can—and do—provide all these services without any restrictions.

The Administration's fiscal year 2000 budget acknowledges this problem, and proposes modernizing REIT rules to permit them to compete. As the Department of Treasury stated in its explanation of the Administration's revenue proposals, ''The determination of what are permissible services for a REIT consumes substantial time and resources for both REITs and the Internal Revenue Service. In addition, the prohibition of a REIT performing, either directly or indirectly, non-customary services can put REITs at a competitive disadvantage in relation to others in the same market.''

The Administration addresses this problem by creating a new category of companies which it refers to as ''taxable REIT subsidiaries''. Those entities would be exempt from current law restrictions that prohibit REITs from owning either (a) securities of a single non-REIT entity that are worth more than 5 percent of the REIT's assets or (b) more than 10 percent of the voting securities of a non-REIT corporation.

The Administration's proposal would create two types of taxable REIT subsidiaries: a ''qualified business subsidiary'' that could engage in the same activities now performed by ''third party subsidiaries''; and a ''qualified independent contractor'' subsidiary that would be allowed to perform non-customary activities for REIT tenants, as well as those services which also could be performed by qualified business subsidiaries. The Administration's proposal would limit the value of all taxable REIT subsidiaries to 15 percent of the total value of the REIT'S assets, but would restrict subsidiaries providing leading edge type services to REIT tenants to 5 percent of the REIT asset base. The Administration proposal also would amend the current 10 percent test so that it would apply to 10 percent of holdings as measured by the vote or value of a company's securities.

Although the Administration's proposal is a welcome first step, its narrow focus still would leave substantial impediments to competition in place. Today, we are introducing legislation that builds upon the Administration proposal to make REITs more competitive.

Our legislation would allow REITs to create taxable subsidiaries that would be allowed to perform non-customary services to REIT tenants without disqualifying the rents a REIT collects from tenants, that is, performance of those services would no longer trigger a technical violation of the REIT rules.

Toward that end, the 5 percent and 10 percent asset tests would be amended to exclude the securities that a REIT owns in a taxable REIT subsidiary. Also, like the Administration proposal, the 10 percent test would be tightened to apply to both the vote and value of a company's securities. In addition, a REIT owning stock of taxable REIT subsidiaries would have to continue to meet the current law requirement that at least 75 percent of a REIT's assets must consist of real property, mortgages, government securities, and cash items; the subsidiaries' stock would not count toward that total. However, dividends or interest from a taxable REIT subsidiary would count toward the requirement that a REIT must realize at least 95 percent of its gross income from those sources plus all types of dividends and interest.

Under our proposal, the income a REIT subsidiary would receive from REIT tenants and others would be fully subject to corporate tax. In addition, the proposal includes strict safeguards to ensure that neither a REIT nor a taxable REIT subsidiary could improperly manipulate pricing or the allocation of expenses to reduce the subsidiary's tax burden. Our bill is supported by the American Resort Development Association, the International Council of Shopping Centers, the National Apartment Association, the National Association of Real Estate Investment Trusts, the American Seniors Housing Association, the Mortgage Bankers Association of America, the National Association of Industrial and Office Properties, the National Association of Realtors, the national Multi Housing Council, and the National Realty committee.

In sum, Mr. Speaker, our legislation will provide REITs the flexibility they need to be competitive. We must not allow the Tax Code to inhibit the ability of REITs to compete and to offer the full range of services demanded by residential and commercial tenants. Mr. CARDIN and I and our cosponsors urge our colleagues to review this legislation and we hope that they give this legislation every possible consideration.

WORKERS MEMORIAL DAY IN YORK, PA: ''MOURN FOR THE DEAD, FIGHT FOR THE LIVING''

HON. WILLIAM F. GOODLING

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 28, 1999

Mr. GOODLING. Mr. Speaker, today, ceremonies of memory and reflection marking Workers Memorial Day are taking place in cities and towns across the country, including York, PA, which is in my congressional district. The ceremony in York will particularly remember eight individuals from the 19th Congressional District of Pennsylvania who have been killed in tragic accidents while at their respective work sites this past year Joyce E. Born, Michael L. Brashears, Sr., C. William Brinkmann, Bradley M. Dietrick, William E. Keeney, Jr., Bernard L. Rishel, and Dennis J. Stough.

Ceremonies such as the one taking place in York are an important reminder to us all of the importance of workplace safety. Accidents are never planned. Avoiding accidents requires the consistent efforts and vigilance of employers and employees. Government too plays a role in encouraging safe work practices.

For far too long, federal efforts to limit workplace safety have been focused on enforcement for ''enforcement's sake.'' This has lead the Occupational Safety and Health Administration (OSHA) to concentrate their limited resources on issues peripheral to worker safety